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THE BIG SCARE

Here's what he said. I have to protect my sources.

The whole advertising industry is running scared, said X. Because there isn't a unified culture any more, and the three-channel world is breaking up, and that means that Image Advertising on Network Television is a thing of the past.

Hmm, I said politely.

X tilted his homburg so as not to be seen from the door. (I disguise details for his protection.) But meanwhile, said X, Advertising is going to drive Interactive Television. Because people aren't going to pay for interactive television any more than they paid for regular OLD television. So there will have to be advertising, but it's going to be Interactive Advertising.

Oh ho, I said.

X stubbed out his gold-tipped cigarette.

But that means integration with on-line selling and databases. THEY will get immediate feedback, and record every answer into a database, and they'll KNOW ALL ABOUT YOU!

Ah ha, I said, Uh oh.

So that means that THE END OF ADVERTISING as we know it and THE END OF PRIVACY as we know it.

Mm Hmm, I said. I shall take this to my editors.

But X did not hear. He had slipped out through a side entrance.

So I took this to my editors and researched it up and down, and this is my report. I talked to a number of people in Advertising, which was interesting, since as a child of the fifties I grew up thinking of Advertising as The Great Satan, the quintessence of Selling Out.

So it was fun talking to these witty people and finding out how things really are and how it all really works.

Advertising

Advertising is not just about writing great one-liners and making pretty commercials for the tube. It is an intricate technology all about presentations and people and sales.

Ads themselves are of three kinds: Image, Descriptive and Response. Image ads make you yearn to be a part of the product. Descriptive ads tell you something you actually want to KNOW. Response ads wheedle you to do something, such as return a card or call an 800 number.

But these ads aren't sent out randomly. The adsmiths send them, if possible, to the people you are trying to reach. And that brings us to demographics-- what segment is your market?

Ad agencies know the population sliced and diced; they've been funding basic demographic research for decades. So they help clients select, and reach, the markets most appropriate. And they MEASURE: beforehand (with focus groups), afterward (responses and sales) and sideways, however they can.

There's a lot of hoodoo and hoodwinking, of course, and uncertainty. "I know only half of my advertising works," said some captain of merchandising a century ago, "but I don't know which half." Not only does that still hold true today, but the advertising people aren't sure who said it, either. And clients change agencies a lot.

INTERACTIVE ADVERTISING

When I started out, I believed what I heard about the Ad Industry Not Understanding Interactive. But a lot of seem to.

There is much more creative stuff going on in Interactive Advertising than I had expected. A variety of agencies are doing interactive ads: big ones like Ogilvy & Mather and J.Walter Thompson; and little new ones. And they're doing so much different stuff!

Interactive Advertising, Descriptive, will give you a chance to drill down and find out what you want about some product offering. This is especially good if you have something particular in mind, like a video camera or military landing gear.

But already they're experimenting with HAND-HELD computers (PDAs) for answering price questions at conferences, making the person who's carrying it a sort of walking kiosk; they're experimenting with E-MAIL for replying to customer inquiries. And, of course, kiosks for trade shows and malls (despite the throughput problems, since one person can hog it, unlike a store window).

They're also experimenting with BRIBING YOU. This bribery is going to be at the heart of the Time-Warner thing, where you'll be given free service or other promotional stuff for answering questions, or for accepting color printouts through your free printer on the system.

Now add bribery to Response Advertising. When it comes to motivating you, MAKING YOU TAKE A QUIZ seems to be particularly effective. It's amazing how for twenty-five cents, people will sit through a commercial and answer questions about it. Scarily effective.

But there's no reason there can't be fun and production values behind these things. There doesn't even have to be content; GAMES adjust people's attitudes without necessarily having any content at all.

And HOW YOU'LL ORDER! They think. (Time-Warner wants you to pay the separate companies you're ordering from separately, so you won't notice how much money you're unloading in their world.)

SO IS IT TRUE? #1, THE END OF ADVERTISING

So is Advertising Running Scared Because of the Decline of the Mass Market?

Why should they run scared? The mass market is declining only selectively. Soda pop and beer sell billions of doses a year, so we're still a mass market for some things. Including TV: the three networks still hold 60% of the viewership.

But even if the majority culture declines, the Agencies would still have plenty to do, because a declining majority culture would only mean more and more segments, and advertising **KNOWS ALL ABOUT SEGMENTATION**. Even if the once-unified culture of America were to disappear entirely, along with the mass media as we know them, that would not mean the end of Image Advertising, because the advertising industry does not live on unanimity. No need for a unanimous culture pool; they'll target puddles.

But this could mean the decline of fat agency percentages of national TV time, and some agencies won't like all this. But change is change, and every industry has to deal with it.

The end of the Advertising Industry? Not at all, say members of the Industry. Interactive isn't just starting, because coupons, 800 numbers and infomercials have been doing fine for some time. This is called Direct Marketing.

Direct Marketing is a **BRANCH** of advertising. It's a branch of the advertising family sometimes disdained by its higher practitioners, those who handle big image accounts, but Direct Marketing is part of the advertising industry to stay, Advertising smarts are at the heart of Direct Marketing: whom to target, and what with, since the color of the envelope and the phrasing are crucial. Even if Image Advertising disappears for good, the advertising business will be happy to take over the centralized marketing of everything, to everybody, as interactively as can be.

This is not the decline of advertising, just a shift of emphasis to another department-- a department with a broader mandate.

SO IS IT TRUE? #2, THE END OF PRIVACY

With data being collected about you on the network, what becomes of privacy? Tricky.

The so-called "cable privacy laws" restrict information on what channels you subscribe to. These presumably extend nicely to protecting your privacy in interactive television, but we can't be sure just how, and anyway they haven't been court-tested; much is unclear.

But let's get specific. Let's consider what they're doing with personal data on two big interactive networks, one operational and one impending.

HOW IT WORKS ON PRODIGY

Prodigy makes a point of NOT GIVING OUT SPECIFIC PERSONAL INFORMATION of their on-line users. No, they will not sell a mailing list with names on it.

So if you're a Prodigy subscriber, and any advertiser wants to reach you -- for something you've said, done or claimed to be -- they'll have to send direct mail to you (and others statistically like you) THROUGH PRODIGY. Paying Prodigy maybe half a buck a head, to send an interactive letter, presentation, order form.

If you reply to this electronic solicitation, THEN the advertiser gets your name, because you gave it to them.

So Prodigy's moral stand is quite well thought out.

HOW WILL IT WORK ON TIME-WARNER?

Time-Warner has set up their Full Service Network so advertisers can pay you to interact with ads and be quizzed on them, and pay you to receive printout. Will they have access to the advertiser's questions and your answers? You bet, at least for now.

What will they do with this information? They haven't decided, according to spokesman Mike Luftman: "We are very, very limited in terms of what we can do with customer information. ... But we will be able to learn specific things about the transactions in a broad way, and I don't think that we can reveal any more about what kind of data we're going to be securing at this point."

INTERNET MAILING LISTS

Internet Mailing Lists are a related problem: it is easy to get on Internet mailing lists, which then result in huge amounts of pileups

of email, even though advertising is forbidden. But the Internet is going commercial, and advertising may strangle the whole system once it's allowed. No one knows what will happen.

WHAT THEN OF YOUR PRIVACY?

Will interactive networks know stuff about you? Yup.

Will you be able to avoid electronic junk mail? Presumably, for the network companies are very sensitive to issues of freedom and privacy. But that will be a matter of their policies.

Will interactive electronic networks be combining databases electronically? Of course they will. EVERY LIST OWNER ALREADY DOES THIS IN THE REGULAR DATABASE/MAILING LIST WORLD. Mailing lists are being cross-merged and cherry-picked (two lists good, four lists better). What's the big deal?

The real question is whether and how you can opt out of junk mail and commercials. You can certainly opt out of the commercials that Time-Warner proposes to pay you for; and Prodigy has pulled back some on the the unavoidable banner ads that go by. These will be arbitrary and changing arrangements.

ENCRYPTION, A DUBIOUS DEFENSE

There are some who think that encryption of orders through computer networks will help with the privacy issue. That involves a complex assumption: that the network (such as Prodigy or Time-Warner) wants to spy on you, but can be evaded. Yet in both the Prodigy and Time-Warner models, the network has a deep communication role between you and the party you're ordering from.

As a practical matter, networks like Time-Warner, if successful, can't go on monitoring all the replies to the advertisers. There'll be too many, and it will mean that advertisers can't set up their own interactive stuff, which would make it prohibitive for Big Brother Time-Warner to keep track.

GETTING CUSTOMER LOYALTY: SPEAK ONLY WHEN SPOKEN TO

A more pragmatic approach, sensitive to customer misgivings, is taken by Roland Sharette of J.Walter Thompson Interactive, who

has set up several e-mail systems for replying to mass customer inquiries. They don't take the initiative in contacting people, says Sharette, though after the prospect takes the initiative in sending e-mail, THEIR LETTER OF REPLY TAKES THE CUSTOMER'S DATA INTO ACCOUNT, indicating knowledge of preference and purchases. This walks an interesting line between knowledge and intrusion.

DATA PROTECTION LAWS

Britain and Canada have strange laws that prevent anyone from collecting information about you without allowing you to correct it. Nobody can keep a computer record of you without sending it to you for possible correction. This is administered by a czar of Data Protection. (An exception is made for "word processing documents," but what is the difference between word processing and data base? Only the computer-ignorant can draw that distinction.)

This system is in effect a very high tax on the direct marketing industry, since it cripples direct mail.

MY CONCLUSIONS

Will there be advertising? Of course.

Will there be mailing-list privacy? Some.

Will it be a general menace, and will there be a general solution?

No.

Exactly, said X, who had come up quietly behind me. Don't worry about advertising. Worry about governments reading your e-mail. Especially governments with death squads, which may be a problem in the future. Advertising you can just drag to the trashcan.